



CITY COUNCIL

AGENDA REQUEST

AGENDA OF:	02-04-14	AGENDA REQUEST NO:	V-A
INITIATED BY:	JENNIFER BROWN	RESPONSIBLE DEPARTMENT:	FINANCE
PRESENTED BY:	JENNIFER BROWN DIRECTOR OF FINANCE	DIRECTOR:	JENNIFER BROWN <i>JB</i>
		ADDITIONAL DIRECTOR (S):	N/A
SUBJECT / PROCEEDING:	FORT BEND MUD21 CONSIDERATION AND ACTION ORDINANCE NO. 1944 DISSOLVING FORT BEND MUD21		
EXHIBITS:	ORDINANCE NO. 1944		
CLEARANCES		APPROVAL	
LEGAL:	MARY ANN POWELL CITY ATTORNEY <i>MAP</i>	EXECUTIVE DIRECTOR:	MIKE GOODRUM <i>MWG</i>
PURCHASING:	N/A	ASSISTANT CITY MANAGER:	N/A
BUDGET:	N/A	CITY MANAGER:	ALLEN BOGARD <i>Allen Bogard</i>
BUDGET			
EXPENDITURE REQUIRED: \$		N/A	
CURRENT BUDGET: \$		N/A	
ADDITIONAL FUNDING: \$		N/A	
RECOMMENDED ACTION			
Consideration and approval of first reading of Ordinance No. 1944 dissolving Fort Bend MUD 21 effective March 31, 2014.			

EXECUTIVE SUMMARY

Fort Bend Municipal Utility District 21 (MUD 21) was created in 1975 and operates under a 1977 utility agreement with the City of Sugar Land. The district encompasses approximately 1,040 acres in the City's business park. The district currently functions as a financing mechanism, with the properties served by the city's utility system; as the infrastructure has already been turned over to the City.

The MUD's operating expenses include tax collection, bookkeeping, legal services and financial advisory services. Under the utility agreement, the district receives a rebate of 50% of the taxes that the City collects on property within the district. The rebate is capped at the lower of 50% of the taxes collected or the annual debt service payments of the district. After the March 2014 debt payment, the district's debt payments drop significantly, and the City's rebate will be capped by the debt payments. The district has two bond issues outstanding, with an average annual payment of \$827,742 through 2024. Since the City's tax rebate would cover the debt payments, the board of directors concurs with the City's recommendation to dissolve MUD 21 and assume the debt obligations.

A rebate payment is due from the City to MUD 21 on 2013 taxes collected to date in February 2014. The district will use these funds along with funds in their existing balances to pay their debt payment that is due on March 1, 2014. Subsequent debt service payments will be the City's responsibility, but savings from the tax rebate will offset the debt payments and the net financial impact to the City is zero. Property owners in the district realized savings immediately since the board of directors opted to not levy a MUD tax for tax year 2013, and will benefit from elimination of a layer of government. Since MUD 21's fiscal year ends on March 31, City staff recommends making the dissolution of the district effective on that date.

The board has requested that the City utilize any funds remaining after operating and debt service expenses are paid toward reconstruction of streets within the district. The district currently has significant balances in their capital projects and operating funds that can be utilized for reconstruction projects. City staff identified three streets within the district that warrant reconstruction in the near future.

A timeline of the steps leading to the dissolution is shown below:

October 28, 2013- discussion with Council regarding dissolution of MUD 21

November 14, 2013- Council Finance/Audit Committee reviews dissolution plan terms

December 12, 2013- MUD 21 board approved dissolution plan

January 21, 2014- City Council adopted Resolution 14-02 approving dissolution plan

February 4, 2014- First Reading ordinance to dissolve the district

February 15, 2014- City to make payment of 2013 tax rebate to district

February 18, 2014- Second Reading ordinance to dissolve the district, effective 3/31/14

March 1, 2014- MUD 21 makes debt service payment

March 31, 2014- MUD 21 dissolved

Staff recommends Council approval of first reading and passing to second reading of Ordinance No. 1944 dissolving Fort Bend MUD21 effective March 31, 2014.

EXHIBITS

ORDINANCE NO. 1944

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SUGAR LAND, TEXAS, DISSOLVING FORT BEND MUNICIPAL UTILITY DISTRICT 21.

WHEREAS, by Ordinance No. 213, approved December 22, 1975, the City Council of the City of Sugar Land ("City") gave its consent to the creation of the Fort Bend Municipal Utility District 21 ("District") covering the property therein described; and

WHEREAS, on or about July 5, 1977 the City and the District entered into an Utility Agreement as well as a series of amendments thereto regarding the creation, operation and possible dissolution of the District; and

WHEREAS, on or about January 21, 2014, the City Council adopted Resolution No. 14-02 which adopted a written implementation plan for the District's dissolution to occur within six months of such date; and

WHEREAS, under Texas Local Gov't Code §43.074, the City Council may by a vote of two-thirds of its entire membership, adopt an ordinance abolishing the District; NOW, THEREFORE;

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SUGAR LAND, TEXAS:

Section 1. That the facts and recitations set forth in the preamble of this ordinance are hereby declared true and correct.

Section 2. That the City Council of the City hereby determines that the District meets the guidelines for dissolution as set forth in Policy Number 5000-03 adopted on or about March 15, 2011 as Resolution No. 11-07.

Section 3. That the City Council hereby finds the following:

- a. That the District is no longer needed, or that the services furnished and functions performed by the District can be furnished and performed by the City; and
- b. That the abolition of the District is in the best interests of the residents and property in the City and the District.

Section 3. That Fort Bend Municipal Utility District 21 is hereby abolished as a separate, independent political entity; that the property and the assets of the District are vested in the City of Sugar Land for all purposes; that the City shall hereafter be liable for all the debts, liabilities and obligations, including any bonded indebtedness, of the District ; and that the City shall perform the services and other functions that were performed by the District all in accordance with applicable laws, policies and agreements.

Section 4. That the following councilmembers voted to adopt this ordinance on second and final consideration:

Section 5. That this ordinance is effective March 31, 2014.

READ IN FULL on first consideration on _____, 2014.

APPROVED upon second consideration on _____. 2014.

James A. Thompson, Mayor

ATTEST:

APPROVED AS TO FORM:

M. Powell

Glenda Gundermann, City Secretary